

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7106

BILL NUMBER: SB 494

NOTE PREPARED: Feb 6, 2003

BILL AMENDED:

SUBJECT: Taxation of Municipal Utilities.

FIRST AUTHOR: Sen. Server

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill exempts municipally owned utilities from the Utility Receipts Tax.

Effective Date: January 1, 2003 (retroactive).

Explanation of State Expenditures: The Department of State Revenue will have additional administrative expenses related to revising tax forms, instructions, and computer programs to accommodate this change. This can presumably be done within their existing budget.

Explanation of State Revenues: This bill will reduce revenue from the Utility Receipts Tax by at least \$14 M annually. Effective January 1, 2003, this will exempt municipally owned utilities from the Utility Receipts Tax. Prior to January 1, 2003, these utilities were subject to the Gross Income Tax (GIT) and the Supplemental Net Income Tax (SNIT). P.L. 192-2002(ss) repealed the GIT and SNIT and replaced these taxes with the Utility Receipts Tax for these entities. With the January 1, 2003, effective date, revenue collections could be reduced beginning in FY 2003, assuming adjustments to quarterly payments. The full impact will occur in FY 2004 and years after. Utility Receipts Taxes are deposited in the General Fund.

Background: There are currently 389 municipal water utilities, 79 municipal electric utilities, and 19 municipal gas utilities. Based on 2001 revenue and sales reported to the Indiana Utility Regulatory Commission for a majority of the municipal utilities, it is estimated that there could be *at least* \$1 B in gross receipts for municipal gas, water, and electric utilities for 2003.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Indiana Utility Regulatory Commission; Department of State Revenue; Bureau of Labor Statistics.

Fiscal Analyst: Diane Powers, 317-232-9853.